

WORKING DOCUMENT

RURAL DEVELOPMENT COMMITTEE

THIRD MODIFICATION OF THE RURAL DEVELOPMENT PROGRAMME OF BULGARIA 2007-2013

MEMBER STATE: BULGARIA

1. APPROVED PROGRAMME: Rural Development Programme 2007-2013
(CCI 2007BG06RPO001) - C(2008) 755 of 19.02.2008

2. LEGAL BASIS FOR THE MODIFICATION:

Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005 - modification under Articles 6(1)(a) and 7 of Regulation (EC) No 1974/2006.

Other modifications under Articles 6(1)(c) and 9 of Regulation (EC) No 1974/2006.

3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN

Structure of this Working Document

The modifications described in this Working Document are separated in two parts:

- **Part I** - modifications under Art. 6(1)(a) of Regulation 1974/2006 concerning the first implementation of Article 16a of Regulation (EC) 1698/2005 related to the implementation of the European Economic Recovery Plan (EERP).*
- **Part II** - other amendments under Art. 6(1)(c) of Regulation 1974/2006 aimed to ease access of RDP beneficiaries to financial resources given the economic crisis and following amendments to the Community legal framework.*

*The opinion of the Rural Development Committee is sought on the amendments of Bulgaria's RDP included in **Part I**. Changes described in **Part II** are presented to the RDC for information only.*

PART I. MODIFICATIONS UNDER ART. 6(1)(A) OF REGULATION 1974/2006 CONCERNING THE IMPLEMENTATION OF THE EUROPEAN ECONOMIC RECOVERY PLAN (EERP)

Following approval by the European Council in December 2008 of the European Economic Recovery Plan (EERP) aimed at helping Member States' economies to cope with the economic crisis, €1.02 billion of additional EAFRD funds are to be injected into MS rural development programmes. Funds should target investment in broadband infrastructure in rural areas and/or the new challenges identified in the Health Check of the CAP.

Bulgaria's share of this additional funding, coming from the EERP in years 2009 and 2010, is **€3.15million**. Bulgaria does not receive any additional financing under the Health Check, as it will not be affected by modulation in the 2007-2013 period.

Accommodation of the additional EERP funds required an amendment to the National Strategy Plan of Bulgaria to outline the strategic choices of the Bulgarian authorities in line with the revised Community Strategic Guidelines for rural development, followed by a respective modification of the Bulgarian Rural Development Programme 2007-2013 in which the RD Committee is now consulted.

Strategy chosen

Bulgaria has chosen to allocate the EERP resources on three of the New Challenges identified in Article 16a(1) of Regulation (EC) No. 1698/2005, namely: ***water management (56%)***, ***renewable energy (35%)*** and ***dairy sector restructuring (9%)***. The Bulgarian NSP had already identified these priorities as challenges to be addressed, and operations related to them are already included in the approved BG RDP. Taking this into account and given the relatively limited amount of the additional funds (1.3% increase of the initial €2.6 billion EAFRD allocation) – Bulgaria has decided to reinforce funding for existing operations included in the RDP which will help contribute to the selected three priorities.

Although importance of *broadband* development in Bulgaria is recognised (as penetration is low especially in BG rural areas), Bulgaria does not intend to support broadband infrastructure with the additional EERP funds for a number of reasons – lack of an adopted national strategy establishing an integrated approach for broadband development in the country; avoiding spread of the limited EERP resources over too wide a range of priorities; lack of administrative capacity for elaboration and management of these completely new activities (for the RDP); disproportional costs to establish in view of the limited additional funds, and complications of changing demarcation with the SF (OP Regional Development - EFRD) which currently provide support for broadband on the territory of the whole country. Although broadband infrastructure is not chosen, Bulgaria introduces a ring-fenced budget of €7.5 million for existing operations for support of ICT services (ICT centres) under the RDP measure 321 (basic services). These ICT centres will be supported under the RDP only if there is adequate broadband infrastructure already in place or there are concrete plans for its establishment. Further, in coordination with the competent national/regional authorities, Bulgaria will commission a study under the RDP technical assistance to review the broadband situation in rural areas (incl. detailed mapping of broadband coverage) and identify technological options and other ICT needs.

Not allocating EERP funds to the other new challenges (*climate change* and *biodiversity*) is explained by the already existing reserved budgets under the RDP measure 121 (modernisation of agricultural holdings) for investments for protection of waters against pollution caused by nitrates from agricultural sources – implementation of the Nitrates Directive (15%) and conversion to organic production (5%), as well as by the current low uptake of the (quite new for BG) axis 2 measures/operations which already target climate change and biodiversity. It is expected that the existing budgets will be sufficient to contribute to facing the new challenges of biodiversity and climate change.

The RDP analysis is updated, providing information concerning in particular water consumption, production of renewable energy and the situation in the dairy sector justifying the priorities chosen. The Chapter on the priorities chosen indicates that the additional

resources are allocated to water management (56%), renewable energy (35%) and dairy sector restructuring (9%). In terms of earmarking between axes, the additional resources are allocated to axis 1 – measures 121 and 123 (25%); and axis 3 – measures 311, 312 and 321 (75%).

4. DESCRIPTION OF THE AMENDMENTS PROPOSED:

4.1 New priorities / types of operations

Water management (56% of the EERP funds)

Justification: The reinforcement of water management actions aims to help address problems related to water shortage in rural municipalities and waste water treatment caused by the poor status of water networks. The reinforced water management actions will aim to address the problem of water leakage (as average leakage rates amount to nearly 60%) and contribute to improved quality of life in rural areas by protection of human health and better access to basic services. More efficient systems and water-saving technologies will be introduced to improve water management and water networks on-farm. EERP funds will also be used for more efficient waste water treatment by food processing enterprises.

Potential effect: improved efficiency of water use

Affected measure(s): measures 121 (farm modernisation), 123 (adding value) and 321 (basic services).

Renewable energy (35% of EERP funds)

Justification: Allocating additional funds to actions related to renewable energy is expected to further increase supply of renewable energy in the supported agricultural and forestry holdings and micro-enterprises. It will also contribute to attracting additional investments in rural areas and will help meeting Bulgaria's accession commitment for increasing the share of renewable energy to 11% of total energy consumption by 2010.

Potential effect: substitution of fossil fuels and reductions of GHG emissions

Affected measure(s): measures 121 (modernisation of agricultural holdings), 123 (adding value), 311 (diversification), and 312 (micro-enterprises).

Dairy restructuring (9% of EERP funds)

Justification: Additional support for the dairy sector is justified by the expiration in 2015 of milk quotas which requires additional efforts from dairy producers to adapt to the changing conditions and by the low milk prices and increasing production costs which limit the capability of the sector to invest. That is why the allocation of additional funds for restructuring of dairy farms will aim to stimulate their competitiveness.

Potential effect: improving the competitiveness of the dairy sector

Affected measure(s): measure 121 (farm modernisation)

The EAFRD allocation to the chosen priorities is as follows:

New challenge priority / Measure	Water management	Renewable energies	Measures accompanying restructuring of the dairy sector	Total	% of all measures
<i>Measure 121</i>	1 065 936	2 249 064	2 990 000	6 305 000	19%

<i>Measure 123</i>	920 000	1 062 500		1 982 500	6%
Axes 1	1 985 936	3 311 564	2 990 000	8 287 500	25%
<i>Measure 311</i>	0	1 657 500	0	1 657 500	5%
<i>Measure 312</i>	0	6 630 000	0	6 630 000	20%
<i>Measure 321</i>	16 575 000	0	0	16 575 000	50%
Axes 3	16 575 000	8 287 500	0	24 862 500	75%
Total	18 560 936	11 599 064	2 990 000	33 150 000	100%
% of all priorities	56%	35%	9%	100%	

All three new challenges chosen have been already addressed by the RDP in response to the priorities identified in the NSP. The additional support provided through the EERP will strengthen their implementation and enhance their positive effects by focusing on existing measures/operations.

Increase in aid intensity

In addition, the above mentioned priority choices will be complemented (outside the EERP envelope) by a 10% increase in current aid intensities to beneficiaries for operations linked to a wider range of new challenges, as provided for under Article 16a (2) of Regulation (EC) 1698/2005.

Table 5.3.6 (provided in the RDP) List of types of operations referred to in Article 16a (3)(a) of Regulation (EC) No 1698/2005 and up to the amounts referred to in Article 69 (5a) of that Regulation.

Measure	Types of operations	Potential effects	Existing' or 'New' type of operation (E or N)	Reference to the description of the type of operation in the RDP	Output indicator – target	
					Number of farm holdings that received investment support	Total volume of investments ('000 EUR)
121	Biogas production using organic waste (from farm and local production)	Substitution of fossil fuels, reduction of methane (CH ₄)	E	page 122	5	1 515
	Perennial energy crops (short rotation coppice and herbaceous grasses)	Substitution of fossil fuels, carbon sequestration, reduction of nitrous oxide (N ₂ O)	E	page 122	5	1 515
	Processing of agricultural/forest biomass for renewable energy	Substitution of fossil fuels	E	page 122	5	1 514
	Water savings technologies (e.g. efficient irrigation systems)	Improvement of the capacity to use water more efficiently	E	page 122	15	1 615
	Water storage (including water overflow areas)	Improvement of the capacity to use and store water	E	page 122	5	538
	Investment support related to dairy production	Improvement of the competitiveness of the dairy sector	E	page 122	55	6 040
123	Processing of agricultural/forest biomass for renewable energy	Substitution of fossil fuels	E	page 137	5	1 967
	Installations for waste water treatment on farms and in processing and marketing	Improvement of the capacity to use water more efficiently	E	page 137	5	1 704
311	Installations/infrastructure for renewable energy using biomass and other renewable energy sources (solar and wind power, geothermal)	Substitution of fossil fuels	E	page 183	5	3 069

312	Installations/infrastructure for renewable energy using biomass and other renewable energy sources (solar and wind power, geothermal)	Substitution of fossil fuels	E	page 187	15	12 278
321	Others: Construction/reconstruction/rehabilitation of the water supply system and related facilities*.	Improvement of the capacity to use water more efficiently	E	page 195	10	18 417

* This is an additional type of operation. This operation will contribute to improvement of the capacity to use water more efficiently by reducing the water leakage.

4.2. Description of the amendments proposed (6 (a) modification)

4.2.1. Amendments in the general chapters of the RDP

Chapter 3. Analysis of the situation in terms of strengths and weaknesses, the strategy chosen to meet them and the ex-ante evaluation.

- New text is added in section 'Major Agricultural Sectors', sub-section 'Livestock' (pg. 23) on the importance of restructuring of the dairy sector to sustain the increased competition after Bulgaria's accession to the EU. Text indicates trends for decrease in number of animal breeding farms (15% for 2005-2007), reduced prices of raw milk by dairy processors, and increased production costs. Further, the updated analysis refers to the extension by 2 years (till end 2011) of the transitional period for improvement of the quality of raw milk accorded by Commission Decision 2009/861/EC of 30.11.2009, and indicates that as of March 2009 more than 97% of dairy farms in Bulgaria (producing 55% of the milk in the country) were not compliant with standards.
- Text on the transitional period for quality of raw milk granted to BG (Section 'Food Processing Industry' (pg. 29)) is complemented by adding recent data on the number of milk establishments having achieved EU standards (181 from the 207 companies to which transitional period to align to EU structural standards was granted), those closed (13) and those to be examined till end 2009 by the national authorities (13). The total number of enterprises in the sector (including the newly established and those which are outside the list for transitional period) is 249.
- Sections on 'Biodiversity' (pg. 35) and 'Natura 2000 Network' (pg. 37) are supplemented with recent figures on the number of protected areas - 950 as of end 2008, covering 581 736 ha which is 5.1% of BG's territory, and with more up-to-date data on Natura 2000 coverage - 33.8% of BG's territory (20.4% designated as SPAs under the Birds Directive, and 29.5% under the Habitats Directive). 90 designation orders for the SPA areas (total number of SPAs – 114) have been officially published so far.
- Text in Section 'Water Quantity' (pg. 38) is supplemented indicating that water consumption in the country is relatively low (100 l/h/day per capita in 2007 compared to 150 l/h/day for EU-15). The volume of extracted water however, is nearly twice larger than in other countries, because of the outdated supply network and the high percent of water losses (60% average leakage rate). Actions to reduce water losses (e.g. purchase of devices to detect water leakages, reconstruction of the water supply network, and implementation of projects for efficient control of water losses) are outlined as a priority.
- New text is added in Section on 'Water Quality' (pg. 39) stating that river basin management plans drawn up under the Water Framework Directive are expected to be approved by the BG authorities by end 2009.
- Section 'Renewable Energy Sources' (pg 42) is updated with recent data on share of renewable energy. Preliminary data for 2008 shows an overall 6.5% share of RES, of which nearly 96% are generated by hydropower stations. An increasing interest for solar energy is observed (capacity of 0.1 megawatt in end 2008; 0.2 gigawatt electricity generated); as of end 2008 122.2 gigawatt hours electricity were generated from wind energy (capacity equal to 112.6 megawatt). Biomass is indicated as the main source for production of heating/cooling energy (60 000 sq.m. installed collectors in end 2007); there is no production of bio-fuels.

- A new subsection 3.2.5 '*Detailed Strategy of priorities for implementation under European Economic Recovery Plan*' is added (pg. 62) indicating that the additional EERP resources (€33.15 million) are allocated for reinforcement of actions for water management, renewable energy and dairy restructuring under axis 1 measures 121 and 123; and axis 3 measures 311, 312 and 321. The section indicates percentage allocation by new challenge and types of activities supported, as follows:
 - *water management* (56%) – the supported investments will improve the water and waste water infrastructure in rural areas (axis 3). More efficient irrigation systems will be introduced to replace the old systems on-farm (axis 1). Although support under axis 1 (M121) may lead to an increase in irrigated area, the use of more effective irrigation systems will not lead to increased water consumption by agriculture at regional level. Prior to their approval projects for irrigation on-farm will need to have a permit from the competent regional authorities (river basin directorates to the BG Ministry of Environment and Water) that these investments will not lead to a deterioration of the water balance situation in the respective region. Also under axis 1 (M123), additional support will be provided for investments related to more efficient waste water treatment by food processing enterprises.
 - *renewable energy* (35%) – the additional funds will be used mainly for production of biogas from organic waste (from farm and local production), and for production of electricity/heating via processing biomass to meet the own energy needs of the farm or the processing enterprise (axis 1). Production of energy from other RES (solar, wind, water etc) or from biomass (for sale) will be supported under axis 3. A positive Environmental Impact Assessment will be necessary for RES projects (except for cases when this is not required by the BG Environment Protection Act). All projects in Natura 2000 areas will be checked before approval for compliance with the national legislation on biodiversity.
 - *dairy restructuring* (9%) – the additional funds will be used to support dairy farmers for investments to increase their competitiveness.

Two tables are added at the end of this new section presenting the allocation of the additional EERP resources (1) as absolute amount by new challenge under each of the RDP measures selected (incl. listing the types of operations falling under each measure) and (2) as absolute amount and percentage allocation by new challenge & measure.

Chapter 4.1 Justification of the Priorities Chosen having regard to the CSG and the National Strategy Plan

- New sub section is added on adaptation of strategy as a result of the EERP (pg. 89). The sub-section lists the three new challenges (*water management, renewable energy and dairy sector restructuring*) that Bulgaria has chosen to allocate EERP funds to following the amendments to its National Strategy Plan, and underlines that focus will be on reinforcement of existing operations already included in RDP measures which will help contribute to the three priorities. Justification for choosing each NC & percentage allocation are provided, as well as arguments for not allocating additional funds to broadband and the new challenges for climate change and biodiversity. In addition, a 10% increase in aid intensity under the measures 121,123, 311 and 312 for activities linked to new challenges is foreseen. (*details identical to information provided in points 3 on Strategy chosen and 4.1 of this Working Document*).

Chapter 5, Section on General Provisions

- Increase in aid intensity for operations contributing to new challenges (under Article 16a (2) of Reg. 1698/2005)

New text is added in sub-section 'Eligible applicants' (pg. 103) specifying that an increase by 10% of current aid intensities is granted under measures 121 (modernisation of agricultural holdings); 123 (adding value); 311 (diversification) and 312 (micro-enterprises) for operations linked to the new challenges. The list of operations concerned is wider than the list of operations selected for additional EERP funding. Projects can benefit from this higher aid intensity if approved after the official submission of the EERP modification and adoption of corresponding amendments to the national implementing ordinances (not earlier than 1.01.2010).

4.2.2. Description of the amendments proposed to axes and measures

AXIS 1 (Competitiveness)

Measure 121 'Modernisation of agricultural holdings' (pg. 121-128 of RDP)

Specific conditions

The 3rd bullet point on specific conditions related to irrigation is modified in the following way:

- Projects related to irrigation on farm are limited to rehabilitation/upgrading of the existing irrigation network. While such projects could lead to an overall increase of irrigated area (*within the existing network area*), because of use of more efficient irrigation systems which will promote more effective use of water and water savings, the total water consumption by agriculture at regional level will not be increased. Prior to their approval all projects related to irrigation must have a permit from the responsible regional structures of the Ministry of Environment and Water (river basin directorate structures), which are in charge of monitoring and managing the water balance at watershed level in line with the requirements of the Water Framework Directive (2000/60/EC), assuring that the investment will not lead to any deterioration of the water balance situation in the respective region.

10% increase in aid intensity

Higher aid intensity¹ is provided for the following types of investments:

- Investments for implementation of Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources including investments to improve efficiency of nitrogen fertiliser use (e.g. reduced use, equipment, precision agriculture), and improvement of manure storage;
- Investment support related to dairy production;
- Investments in buildings/equipment whose purpose is to improve of energy efficiency (e.g. use of construction materials which reduce heat loss);
- Investments in biogas production using organic waste from the agricultural activities of the holding and local production;

¹ The aid intensity is increased as follows: from 60% to 70% for projects of young farmers in LFAs/Natura 2000 areas; from 50% to 60% for YF in other areas, and beneficiaries other than YF in LFAs/Natura 2000 areas, and from 40% to 50% for beneficiaries other than YF outside LFAs/Natura 2000. The aid intensity for projects under the Nitrates Directive is increased from 75% to 85%.

- Investments for production of electricity and/or heating through processing of biomass including construction/reconstruction of biomass storehouses (to meet the own energy needs of agricultural holding for its agricultural activities);
- Creation and/or re-plantation of short rotation coppice and other fast growing tree species for bio-energy purposes;
- Investments in on-farm level irrigation facilities if clearly linked to improved water management i.e. in water savings technologies (e.g. efficient irrigation systems improving the water efficient use), water saving equipment and water storage facilities linked to improved water management.

Indicators

Targets for output indicators 'number of farm holdings supported' and 'total volume of investments' are increased as a result of the additional EERP allocation to the measure (see table 5.3.6 on pg. 5 of this Working Document) – both within measure fiche and indicators annex to the RDP.

Measure 123 'Adding value to Agricultural and Forestry Products' (pg. 138-140)

10% increase in aid intensity

The aid intensity is increased from 50% to 60% (for SMEs) and from 25% to 35% (for enterprises other than SMEs) for:

- Investments in buildings/equipment whose purpose is to improve energy efficiency (e.g. use of construction materials which reduce heat loss);
- Investments in buildings/equipment for production of bio-energy in case of processing products (raw materials) covered by Annex I to the Treaty;
- Investments in buildings/equipment for production of energy from other renewable energy sources to meet the own energy needs of processing enterprises;
- Investments in buildings/equipment for waste water treatment;
- Investments related to for improvements in processing and marketing of related to milk and dairy sector products.

Indicators

Targets for output indicators 'number of enterprises supported' and 'total volume of investments' are increased in line with table 5.3.6 above - both within measure fiche and indicators annex to the RDP.

AXIS 3 (Quality of life and diversification)

Measure 311 'Diversification into Non-Agricultural Activities' (pg. 184-185)

10% increase in aid intensity

The aid intensity is increased from 70% to 80% for investments in buildings and equipment for production and sale of:

- Bio-energy in case of processing of raw materials coming from the own agricultural holding;
- Energy from other renewable energy sources

Indicators

Targets for output indicators are increased in line with table 5.3.6 above – both in measure fiche and indicators annex to the RDP.

Measure 312 'Support for the Creation and Development of Micro-Enterprises' (pg. 188-189)

10% increase in aid intensity

The aid intensity is increased from 70% to 80% for investments in buildings and equipment for production and sale of energy from renewable energy sources, except these covered by Annex I to the Treaty.

Indicators

Targets for output indicators are increased in line with table 5.3.6 above – both in measure fiche and indicators annex to the RDP.

Measure 321 'Basic Services for the Economy and Rural Population' (pg. 197-198)

Eligibility and Selection Criteria

A new eligibility criterion is added, as follows:

- Applications for establishment and improvement of centres for ICT-based services (such as health advice, business support, municipal services etc.) including mobile ICT centres will only be financed in rural municipalities where the supply of broadband provision for such service centres is already sufficient or where there are concrete plans to provide adequate access to internet services.

ICT services

New paragraph is added indicating that €7.5 million public expenditure is reserved from the measure budget to support investments in rural areas for establishment or improvement of centres for ICT-based services (such as health advice, business support, municipal services, etc.), including mobile ICT centres. *(These operations are already present in measure 321, the new element is only the ring-fenced budget allocation)*

Indicators

Targets for output indicators are increased in line with table 5.3.6 above – both in measure fiche and indicators annex to the RDP.

PART II. OTHER MODIFICATIONS UNDER ART. 6(1)(c) OF REGULATION 1974/2006

4.3. Description of the amendments proposed (6 (c) modification)

Chapter 3. Analysis of the situation in terms of strengths and weaknesses, the strategy chosen to meet them and the ex-ante evaluation.

- Section 'Access to Credit' (pg. 26) is updated to underline difficulties in access to credit as a result of the economic crises (agriculture and food industry being most affected as are considered as risk sectors by the banks). Information is given on the funding provided by one of the Bulgarian financial institutions (the Bulgarian Development Bank) in order to facilitate access to credit by SMEs and agricultural producers.

Chapter 5, Section on General Provisions

Advances

- increase of advances for investment support measures from 20% to 50% (measures 121, 122, 123, 223, 226, 311, 312, 313, 321, 322)
- introduction of advances for running costs of Local Action Groups

The sub-section on advances (pg. 100) is complemented by adding that:

- 1) in the case of investments for which the individual decision to grant support is taken in 2009 or 2010, beneficiaries may request from the Paying Agency an advance not exceeding 50 % of the public aid related to the investment, and
- 2) LAGs selected under sub-measure 431-1 “Running costs, acquisition of skills and animation – selected LAGs” may request an advance not exceeding 20 % of the public aid related to the running costs. The payment of advances will be subject to a bank guarantee or an equivalent guarantee corresponding to 110 % of the amount of the advance. The guarantee shall be released at the closure of the local development strategy at the latest.

5. THE EXPECTED IMPACT OF THE AMENDMENTS (BOTH 6 (A) AND 6 (C) PARTS)

5.1. Water management

The additional funds allocated under measure 321 will meet the substantial needs of rural municipalities for construction and rehabilitation of water supply systems and for waste water treatment and will contribute to improved water management (e.g. more efficient systems and use of modern water-saving technologies, less leakage). They will help improve the quality of life in rural areas by protection of human health and better access to basic services. The additional funds will help to increase the efficiency of water network on-farm (irrigation) and improve waste water treatment by food processing enterprises.

5.2. Renewable energy

Increased production of renewable energy is expected to contribute to the economic recovery of rural areas by attracting additional investments and to fulfilment of the commitments undertaken by Bulgaria on the share of energy from RES in its total production of electricity.

5.3. Dairy restructuring

The EERP funds allocated for dairy farms are aimed at supporting restructuring of the dairy sector and improving its competitiveness.

5.4. Increase in aid intensities

The 10% increase of current aid intensities for operations related to the new challenges will facilitate investments related to the NC priorities, in context of the current economic and financial crisis and encourage uptake of RDP measures concerned.

5.5. Other changes - advances

The higher advance payments will help satisfy the need of financial resources for RDP beneficiaries in the current financial and economic crisis and will encourage uptake of the RDP measures concerned, thus contributing to achievement of the RDP objectives.

5.6. Impact on indicators

Output targets under the relevant measures and indicators annex to the RDP are increased to accommodate the additional EERP funds. BG indicates that given the (limited) amount of the additional funds, impact and result indicators remain unchanged. A value for CMEF baseline indicator for Internet access in rural areas is added in the annexes to the RDP.

6. ASSESSMENT

The proposed modification is in line with the updated National Strategy Plan of Bulgaria and is conform to the amended Community legislation for rural development (Council Regulation (EC) No 1698/2005 and Commission Regulation (EC) No 1974/2006).

The amendments under Article 6 (1) (a) will reinforce existing priorities concerning water management, renewable energy and dairy restructuring. The new challenges chosen are underpinned by the NSP strategy which emphasises the need for additional efforts to tackle problems related to water management, to increase the share of RES and improve competitiveness of the dairy sector. The Bulgarian authorities have provided justification for selecting/not selecting the new challenges. Specific operations concerning the selected new challenges are identified in order to deliver the priorities chosen. Justification is also provided why Bulgaria is allocating the EERP to some of the new challenges only and not to broadband infrastructure.

The accompanying interventions concerning the increase by 10% of aid intensities will stimulate uptake of funds to contribute to meeting the new challenges identified in Article 16a of Regulation (EC) 1698/2005.

The amendments under Article 6 (1) (c) to increase advance payments will boost the financial execution of the programme and will secure access of RDP beneficiaries to financial resources.

The proposed modifications were approved by the Monitoring Committee of the BG RDP via a written procedure carried out in the period 17-23 July 2009.

7. FINANCING

Bulgaria does not receive funds resulting from compulsory modulation (referred to in Article 9(4) and Art 10(3) of Council Regulation (EC) 73/2009) or amounts generated according to Article 136 of that Regulation. Therefore the only additional amount added to the initial EAFRD allocation for the BG RDP comes from commitment appropriations decided in the framework of the European Economic Recovery Package according to Council Decision 2009/434/EC amending Council Decision 2006/493/EC.

Following the provisions of Article 70 (4) of Regulation 1698/2005, the EAFRD contribution for the EERP funds is 90% (with 10% national co-financing).

Table 6.1 (provided in the RDP) Annual Contribution from the EAFRD (EUR)

Year	2007	2008	2009	2010	2011	2012	2013	Total
Convergence regions	244 055 793	337 144 772	437 343 751	399 098 664	398 058 913	397 696 922	395 699 781	2 609 098 596

Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – convergence regions	0	0	19 500 000	13 650 000	0	0	0	33 150 000
Total	244 055 793	337 144 772	456 843 751	412 748 664	398 058 913	397 696 922	395 699 781	2 642 248 596

Table 6.2 (provided in the RDP) Financial Plan by Axis (EUR)

6.2.1. Initial financial allocation – Convergence regions

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	1 204 866 983	80.00%	963 893 586
Axis 2	777 394 110	82.00%	637 463 170
Axis 3	877 666 684	80.00%	702 133 347
Axis 4	76 988 306	80.00%	61 590 645
Technical assistance	123 181 289	80.00%	98 545 031
Complements to Direct Payments	181 841 021	80.00%	145 472 817
TOTAL	3 241 938 392	80.48%	2 609 098 596

6.2.2. Additional funds from Economic Recovery Package (Article 69(5a) of Regulation (EC) No 1698/2005 – Convergence regions)

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	9 208 333	90.00%	8 287 500
Axis 2	0	0.00%	0
Axis 3	27 625 000	90.00%	24 862 500
Axis 4	0	0.00%	0
Technical assistance	0	0.00%	0
TOTAL	36 833 333	90.00.%	33 150 000

6.2.3. Total EAFRD

Axis	Public contribution		
	Total public	EAFRD contribution	EAFRD amount

		rate (%)	
Axis 1	1 214 075 316	80.08	972 181 086
Axis 2	777 394 110	82.00	637 463 170
Axis 3	905 291 684	80.31	726 995 847
Axis 4	76 988 306	80.00	61 590 645
Technical assistance	123 181 289	80.00	98 545 031
Complements to Direct Payments	181 841 021	80.00	145 472 817
TOTAL	3 278 771 726	80.59	2 642 248 596

Table 6.3. Indicative budget related to operations referred to in Article 16a of Regulation (EC) 1698/2005 between 1 January 2009 and 31 December 2013 (Article 16a(3b) up to the amounts specified in Article 69(5a) of Regulation (EC) No 1698/2005).
(in EUR current prices, period 2009-2013)

N	Axis/Measure	EAFRD contribution for 2009-2013
121	Modernisation of agricultural holdings	6 305 000
123	Adding value to agricultural and forestry products	1 982 500
Total Axis 1 - Improving the competitiveness of the agricultural and forestry sector		8 287 500
311	Diversification into non-agricultural activities	1 657 500
312	Support for the creation and development of micro-enterprises	6 630 000
321	Basic services for the economy and rural population	16 575 000
	- Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	16 575 000
	- Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005	0
Total Axis 3 - Quality of life in rural areas and diversification of the rural economy		24 862 500
- Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005		24 862 500
- Related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005		0
Total programme		33 150 000
- Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005		33 150 000
- Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005		0
